

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 L-03 H-03 PA-04 PRS-01 USIA-15 GSA-02

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APPROVED BY ARA:HWSHLAUDEMAN

OPIC - MR. HUNT (SUBSTANCE)

B/IFD/OIA - MR. COURTNEY (INFO)

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P 151904Z OCT 73

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO PRIORITY

C O N F I D E N T I A L STATE 203958

E.O. 11652:GDS

TAGS: PFOR, ECON, CI, US

SUBJ CT: COPPER - KENNECO,T AND ANACONDA

1. AS EMBASSY AWARE,SAENZ AND CLARO MET ON SEPARATE OCCASIONS LAST WEEK WITH MICHAELSON OF KENNECOTT AND QUIGLEY OF ANACONDA. INFO WE HAVE FROM BOTH SIDES IS THAT TALKS DID NOT ENTER INTO SUBSTANTIVE BARGAINING. CHILEANS DID EXPRESS DESIRE SETTLE THOSE DISPUTES SOONEST, IF POSSIBLE PRIOR TO PROPOSED PARIS CLUB MEETING NEXT JANUARY. WE GATHER THAT SAENZ AND CLARO ARE WORKING UP A PROPOSAL FOR CONSIDERATION BY JUNTA, WITH INTENTION OPEN NEGOTIATIONS ONCE APPROVAL RECEIVED FROM THAT QUARTER. THEY SEEM TO HAVE IN MIND USING REVERSAL OF EXCESS PROFITS DETERMINATION TO ALLOW COPPER TRIBUNAL FINDINGS WHICH WOULD COVER ALREADY-AGREED-UPON SETTLEMENTS WITH COMPANIES.

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2. ACCORDING TO CLARO, QUIGLEY'S RESPONSE TO GOC'S EXPRES-

SION OF GOOD INTENTIONS WAS POSITIVE AND INDICATED SOME FLEXIBILITY ON ANACONDA'S PART AS TO FORM SETTLEMENT MIGHT TAKE. CLARO BELIEVED IN THIS REGARD THAT ANACONDA WOULD BE INTERESTED IN AN ARRANGEMENT BASED ON SUPPLY OF COPPER FOR IDLE REFINING CAPACITY IN U.S. QUIGLEY TOLD US CHILEANS PROMISED TO BE BACK TO HIM IN ABOUT TWO WEEKS TO SET DATE FOR FURTHER DISCUSSIONS.

3. MICHAELSON, BY HIS OWN ACCOUNT, TOOK A MORE NEGATIVE LINE. HE REPORTEDLY SAID GOC MUST REALIZE MAGNITUDE OF SUMS INVOLVED IN COPPER DISPUTES, ASSERTING THAT KENNECOTT VALUES 49 OF EL TENIENTE AT \$600 MILLION WHILE CALCULATING THAT ANACONDA SHOULD TAKE NO LESS FOR ITS FORMER HOLDINGS IN CHILE THAN \$1 (ONE) BILLION. CHILEANS MADE CLEAR THEY WERE NOT THINKING IN TERMS OF SUCH AMOUNTS. RE EUROPEAN LEGAL ACTIONS, MICHAELSON SAID KENNECOTT WAS NOT PREPARED FOREGO THOSE POSSIBLE REMEDIES BUT WOULD AGREE TO REASONABLE POSTPONEMENTS. CHILEANS CAME AWAY WITH IMPRESSION THAT COMPANY IS WILLING TO HOLD OFF ON NEW SUITS, BUT MICHAELSON TOLD US HIS ONLY COMMITMENT WAS TO INFORM GOC IN ADVANCE OF ANY ACTION OF THIS KIND. HE DID INDICATE THAT KENNECOTT IS NOT CLOSING DOOR TO FURTHER TALKS, ALTHOUGH APPARENTLY NO DATES WERE MENTIONED.

4. OPIC WILL REPORT SEPARATELY ON CERRO SITUATION AND ITS EXCHANGE WITH SAENZ AND CLARO ON EXOTICA PROBLEM. KISSINGER

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